

# NEWS RELEASE

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## **Galesburg Man Charged with Defrauding Clients of \$1,000,000 in Investment Fraud Scheme**

Peoria, IL - The United States Attorney for the Central District of Illinois, Jan Paul Miller, announced that the federal grand jury in Peoria today returned a 15-count indictment charging David C. Hawkinson, age 56, of Galesburg, Illinois, with operating an investment fraud scheme. The indictment alleges that from 1996 to the present, Hawkinson, who worked as a financial consultant, defrauded approximately 30 clients in Illinois and Florida of more than \$1,000,000.

According to the indictment, Hawkinson was a financial consultant in a Davenport, Iowa brokerage firm until 2001, when the brokerage firm discharged him and his license to sell stocks and other securities was revoked by the state of Illinois. The indictment alleges that, without his brokerage firm's knowledge, Hawkinson offered clients a bogus investment in a title loan business which he claimed was owned by another of his clients, a Chicago-area doctor. In fact, the indictment alleges that although the doctor was Hawkinson's client, the doctor did not have a title loan business and was unaware of Hawkinson's activities.

To promote investment in the title loan business, the indictment alleges Hawkinson promised some clients 34% interest on their investment and told clients their investment would earn more than was being paid on certificates of deposit, money market accounts and Individual Retirement Accounts. Based on his fraudulent representations, clients allegedly liquidated funds in brokerage accounts, withdrew funds from other accounts, and obtained margin loans to invest in the title loan business.

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The indictment alleges that Hawkinson did not invest client funds as represented, but instead, used the funds for his own benefit and to operate a “Ponzi” scheme, making payments to clients which were falsely represented to be interest on their investment. These lulling payments and false statements by Hawkinson were allegedly made to create a false sense of security, to delay discovery of the fraud, and to mislead investors with respect to their investment.

The charges are the result of an investigation by the Internal Revenue Service’s Criminal Investigation Division, the U.S. Postal Inspection Service, and the Illinois Secretary of State’s Securities Division. The case is being prosecuted by Assistant U.S. Attorney Darilynn J. Knauss of the U.S. Attorney’s Office’s Peoria division.

Members of the public are reminded that an indictment is merely an accusation; the defendant is presumed innocent unless proven guilty.

The U.S. Clerk of the District Court will issue a summons for Hawkinson to appear in federal court in Peoria at a date to be determined by the court.

If convicted, the maximum statutory penalty for each count of the offense of money laundering is 20 years imprisonment; for prohibited monetary transactions, the penalty is up to 10 years imprisonment; and, for mail and wire fraud, the maximum penalty is five years in prison.

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